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BEFORE THE ARIZONA CORPORATION
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Arizona Corporation Commission

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MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
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KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE
APPLICATION OF SULPHUR
SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC. FOR
APPROVAL OF ITS RENEWABLE
ENERGY STANDARD AND TARIFF
PLAN AND RELATED TARIFF.

Docket No. E-0157A-070310

REQUEST FOR APPROVAL OF
AMENDED REST PLAN AND
TARIFF

On April 17, 2007, Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") submitted to the Arizona Corporation Commission ("Commission") its 2007/2008 EPS/REST Plan ("REST Plan") pursuant to the requirements of Commission Decision No. 68328, A.A.C. R14-2-1618 and A.A.C. R14-2-1814.¹ On June 11, 2007, SSVEC filed a revised REST Plan. On August 14, 2007, the Renewable Energy Standard and Tariff Rules ("REST Rules") became effective.

Since its initial filing and the effectiveness of the REST Rules, SSVEC has been working to further revise its REST Plan and REST Tariff with input from the Commission's Utilities Division Staff. Additionally, to fund its Clean Renewable Energy Bonds ("CREBs") for Schools Program, which is an integral component of the REST Plan, SSVEC is concurrently filing a separate request for Commission approval for SSVEC to borrow up to \$11,480,000 from the National Rural Utilities Cooperative Finance Corporation ("CFC"). The source of revenue for the repayment of the CREBs loan from the CFC will come directly from SSVEC's proposed REST Tariff which has been incorporated into the REST Plan.

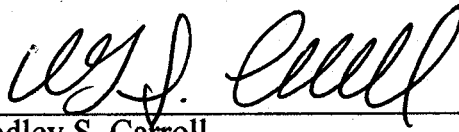
As more fully described in the attached REST Plan, SSVEC is seeking an order from the Commission:

¹ The REST Plan was docketed with the Commission's Docket Control on May 22, 2007.

- 1) Approving SSVEC's amended REST Plan;
- 2) Approving SSVEC's REST Tariff; and
- 3) Clarification that for SSVEC, a) the REST Rules have superseded the EPS Rule² and any other reporting requirements related to renewable energy resources, b) the REST Tariff supersedes SSVEC's current EPS surcharge and upon Commission approval of the REST Tariff, SSVEC shall not longer be required to charge customers the EPS surcharge, and c) all monies collected under EPS surcharge for the current EPS program will be transferred to the REST program.

RESPECTFULLY SUBMITTED this 30th day of August, 2007.

SNELL & WILMER L.L.P.

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30th day of August, 2007, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007

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this 30th day of August, 2007, to:

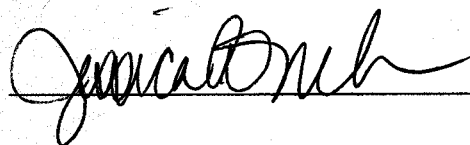
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² A.A.C. R14-2-1618.

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Sulphur Springs Valley Electric Cooperative, Inc.

A Touchstone Energy® Cooperative 

**Sulphur Springs Valley Electric Cooperative
REST Plan
2007/2008**

Revised 8/29/07

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I. BACKGROUND

On February 8, 2001, the Arizona Corporation Commission ("Commission") entered Decision No. 66364 adopting the Environmental Portfolio Standard ("EPS") Rule as A.A.C. R14-2-1618. Pursuant to subsequent Decisions, Sulphur Springs Valley Electric Cooperative Inc. ("SSVEC") agreed to allow Arizona Electric Power Cooperative, Inc. ("AEPCO"), on behalf of its member distribution cooperatives (collectively, the "Cooperatives"), to file for Staff review and Commission approval, an EPS Plan describing the various programs that the Cooperatives would undertake in relation to the EPS Rule. On August 10, 2004, in Decision No. 67176, the Commission approved the EPS Plan as "consistent with the requirements of the EPS Rule for AEPCO and its Arizona Class A member distribution cooperatives."

In Decision No. 68328 dated December 9, 2005, the Commission extended until December 31, 2006, the filing deadline for an Amended EPS Plan by the Cooperatives finding that "the AEPCO EPS Plan approved in Decision No. 67176 is consistent with the requirements of the current EPS Rule and, as they may be revised, until the Commission acts on the amended EPS Plan filing and associated requests."

Recently, the Commission passed the Renewable Energy Standard and Tariff Rules ("REST Rules") in Decision No. 69127 dated November 14, 2006. Among other things, the REST Rules require affected utilities serving retail electric load, such as AEPCO's member distribution cooperatives, to derive certain percentages of the total energy they sell at retail from Eligible Renewable Energy Resources. This decision also allows the Cooperatives to file their own plans and to not be a part of the AEPCO plan. The Commission has since finalized the REST Rules and they have been certified by the Attorney General.

After an in-depth study, the management of SSVEC recommended to its Board of Directors and the Board approved a resolution to allow SSVEC to withdraw from the AEPCO plan and establish its own REST Plan and program ("REST Plan"). Upon Commission approval of this REST Plan, SSVEC will collect from its members the REST surcharge and will use the proceeds from the surcharge to administer and implement the REST Plan as more fully described herein.

The REST Rules contain a section that specifically addresses Electric Power Cooperatives. Similar to the procedure which has been followed for several years under the current EPS Rules, Rule 1814.A instructs the Cooperatives to file "an appropriate plan for acquiring Renewable Energy Credits from Eligible Renewable Energy Resources for the next calendar year. Upon Commission approval of this plan, its provisions shall substitute for the requirements of R14-2-1804 and R14-2-1805 for the electric power cooperative proposing the plan."

SSVEC hereby submits for Commission approval its REST Plan, including its proposed forms of Renewable Energy Surcharge Tariff ("REST Tariff"), pursuant to R14-2-1814.A. Additionally, SSVEC seeks clarification that the REST Rules are the standard that applies to renewable energy issues for SSVEC and that the former EPS Rule is no longer applicable or legally binding. Specifically, SSVEC is seeking clarification that for SSVEC, 1) the REST Rules have superseded the EPS Rule and any other reporting requirements related to renewable energy resources, 2) the REST tariff supersedes the EPS surcharge and upon Commission approval of the REST Tariff, SSVEC shall not longer be required to charge customers the current EPS surcharge, and 3) all monies collected under EPS surcharge for the current EPS program will be transferred to the REST program.

II. SSVEC REST PLAN

SSVEC will use REST surcharge dollars, any proceeds from consumer participation in the Green Energy Purchase Program and other potential sources, to fund its renewable energy program. These programs include both residential and commercial photovoltaic and wind project distributed generation rebates, and large-scale renewable installations, including possible participation in multi-utility joint projects. Surcharge funds will also be used to pay for the administration, advertising and promotion of these programs, as well as educational activities.

There are six parts to SSVEC's REST Plan, which is called Sun Watts:

- (1) The Sun Watts Contribution Program
- (2) The Sun Watts Residential and Commercial Rebate Program
- (3) The Clean Renewable Energy Bonds for Schools ("CREBS")
- (4) The Sun Watts Large-Scale Generating Program
- (5) Sun Watts Residential and Small Business Loan Program
- (6) Sun Watts Loan Program for Large (over 20 kW) Systems

Each of these programs is discussed in detail below.

(1) Sun Watts Green Contribution Program: SSVEC will continue to offer its Sun Watts Green Power Contribution Program. Although to date SSVEC has not signed up anyone for this program, we believe that the reason for this is that we have been emphasizing the rebate portion of the Sun Watts program and have made the contribution portion of the program only a "small type" portion of the program.

Over the next five years, SSVEC anticipates we can add 50 participants each year with an average participation of \$5.00 per month. Increased advertising and promotion

activities will support this program with the contribution portion of the plan being heavily emphasized.

(2) Sun Watts Residential and Commercial Rebate Program: The Sun Watts rebate program pays customers rebates for the installation of qualifying photovoltaic (PV), geothermal, and small wind installations. For both PV and small wind systems, SSVEC will pay \$4.00 per installed watt, up to 50 percent of the total cost of the system. For PV and small wind systems, in general, this equates to 2,500 watts or \$10,000 for residential installations or 7,500 watts or \$30,000 for commercial systems, although the wattage size of the installation and corresponding rebate support may be adjusted. This program will also be used in support of the Customer Self-Directed Renewable Energy Option as described in R14-2-1809.

Payment will be made following inspection and approval of the installed unit prior to energization. Customers have the option of hiring an electrician to certify the installation or having the distribution cooperative perform the inspection. Should the customer opt to have SSVEC do the inspection, he/she will pay a trip charge to/from SSVEC.

A portion of the surcharge funds collected each year will be set aside to support distributed generation efforts. Of the funds earmarked for distributed renewable generation rebates, at least half will be set aside for residential distributed projects. Any allocated funds not used in a particular year will roll over to the following year and may subsequently be used to support any program.

In the past year, the pace of rebate-supported distributed generation installations has slowed considerably from SSVEC's initial success in 2004-2005. For this reason, in 2007, SSVEC is hopeful we can support up to 25 distributed installations with a total installed

capacity of 25 kW and would expect to add up to 20 to 25 such installations annually over the next five years. SSVEC believes that we can increase participation by working with the builders in our service territory to offer solar as an option on new homes. This way, the homeowner can amortize the system cost over the term of their mortgage and also receive the Sun Watts rebate. After discussions with several builders, we believe that adding a \$1,500 incentive (2,000 watt minimum) for the builder in addition to the rebate to the homeowner would significantly increase the solar installations and want to add this to the existing Sun Watts programs. We already have several builders ready to participate in this program as soon as it is approved.

(3) The Clean Renewable Energy Bonds for Schools ("CREBS")¹: As part of the Energy Policy Act of 2005, there was a provision for electric cooperatives to borrow monies at very minimal interest. SSVEC submitted 41 projects for a total of \$11,480,000 in order to fund solar shade structures for each public school in SSVEC's service territory. SSVEC was informed by our banker in early December that the federal government has approved all of the projects submitted by SSVEC. These solar shade structures are similar to the solar carports presented by AEPCO to the Commission several months ago. Based on the input received from the Commissioners, SSVEC revised this program in order to cut costs and secure funding/grants above and beyond using solely REST monies collected.

¹ Through a separate financing application, SSVEC will be seeking Commission approval to borrow up to \$11,480,000 from the National Rural Utilities Cooperative Finance Corporation ("CFC") to construct the solar shade structures. Therefore, the CREBS program is contingent upon Commission approval of such application. Through this filing, however, SSVEC seeks Commission approval of the CREBS program as part of its REST Plan and approval of SSVEC's authority to repay the CFC loan relating to the CREBS bonds from the REST tariff surcharge that is added to the members' monthly electric bill. In the event the REST Rules or REST Tariff are rescinded during the 16-year life of the CREBS program, SSVEC requests that an equivalent surcharge necessary to cover SSVEC's repayment obligations remain on customers' bills until such time the loan is repaid (*i.e.*, end of the 16-year term) to ensure that SSVEC is in compliance with its repayment obligations with respect to the CFC loan. This CREBS project (including the loan) will have minimal financial impact on SSVEC's TIER and DSC ratios.

Specifically:

- The structures have been re-engineered from a carport structure to a shade structure which will save on the cost of steel since a simple shade structure will require a less expensive support system compared to a cantilever carport design.
- SSVEC will only offer two designs to the schools to choose from thus save on the cost of designing 41 separate structures.
- All of these systems will be built in an "assembly line" type process thus saving labor costs.
- Any grant monies that are secured will be used to increase the size of the structure thus increasing the amount of renewable power being generated. The system has been designed so that additional sections can be added in the future.
- Use of the low interest CREBS bonds will also improve the economics.
- The scope of this project would result in approximately 975kW of renewable resources, which are over 18 times the PV resources installed in the last two years. A noteworthy increase.
- The SSVEC Board and management feel that the REST funds are being collected from our members and should be spent for the benefit of the members. Local schools are budget constrained for this type of project and the only funding mechanism would be in the form of higher taxes from the membership which are the same people who have contributed to the REST program via their electric bill.

SSVEC's detailed proposal and supporting documentation for the CREBS program have been provided separately to the Commission Staff for its review.

(4) The Sun Watts Large-Scale Generating Program: The large-scale program calls for SSVEC to install and operate or build/operate utility-sized renewable generating units. SSVEC will seek to develop one such program each year and, in order to increase the size of the project or the efficiency of the expenditure, seek partners wherever possible that can contribute funding, in-kind facilities, services or expertise. SSVEC may also own and operate these large-scale projects or enter into long-term purchase power agreements. SSVEC is also exploring several potential large-scale projects:

- ☐ *Biomass/Biogas Project:* SSVEC has been contacted by two independent developers who have suggested the development of biomass and/or biogas projects at two sites in Cochise County. The first is a project to heat commercial greenhouses using plant wastes and chipped pallets in place of natural gas. SSVEC would buy Renewable Energy Credits created by this process. The second proposal calls for the development of a biogas generator that uses animal wastes from a large dairy. Both projects are in the initial phases of discussion and would not be operational until 2008 or 2009 at the earliest.
- ☐ *Wind Power:* We have been working with Arizona Public Service ("APS") as a "stakeholder" on their plan to add 1,000 MW in an area still to be determined in Northern Arizona. We have also begun working with a private investment group and the leaders at the Fort Huachuca military base on several wind projects.
- ☐ *Solid Waste:* We are currently working with a local government agency in a project to convert trash to electricity via a digester or gasification process. Preliminary studies indicate that this would be a 4 to 6 MW project.

(5) Sun Watts Residential and Small Business Revolving Loan Program.

SSVEC focus groups have shown us that if we added a revolving loan program in addition to the current rebate program, it would substantially increase the number of renewable energy installations by our members, particularly on existing homes and businesses. These focus groups have shown that many more of our residential and business members would install renewable generation if they had a rebate and a low interest loan program as part of the Sun Watts program. Therefore, we are proposing a revolving loan program to be funded from the SSVEC REST funds. Consumers would be eligible to receive a loan at a 3% interest rate. The consumer would be allowed to borrow \$2.00 per watt up to a maximum of 2,000 watts for residential (\$4,000 loan) and a maximum of 4,000 watts for a business (\$8,000). The maximum amount of the loan will not exceed 50% of the rebate amount (in total, between loans and the rebate, no more than 75% of the total cost of the project will be funded). Payments and interest from the Sun Watts Loan Program will be remitted back to the revolving loan fund. Payments would be monthly and payable over a 60 month period. These will be secured loans and liens will be placed against the property. Statements will be sent in a separate billing from the electric bill and the member will have a choice of being billed on either the 1st or the 15th of the month. Members requesting loans under this program will be subject to internal and external credit checks. Loans will be subject to program budget limitations. We will fund the residential/small business loan program and the Sun Watts large (over 20 kW) systems at 20% of the monies collected under the REST program each year on a first come first serve basis. Principal and interest earned will contribute to the available loan funds. Available funds in excess of \$500,000 at the end of the year will be moved to the next year's general REST funds.

(6) **Sun Watts Loan Program for Large (over 20 kW) Systems.** SSVEC will offer a revolving loan program for large (over 20 kW) systems for our commercial and industrial customers. These customers will be able to borrow \$2.00 a watt up to a maximum of 50% of the cost of the project. The interest rate on these loans will be 3%. Payments and interest from the Sun Watts Loan Program will be remitted back to the revolving loan fund. Payments would be monthly and payable over a 60 month period. These will be secured loans and liens will be placed against the property. Statements will be sent in a separate billing from the electric bill and the member will have a choice of being billed on either the 1st or the 15th of the month. Members requesting loans under this program will be subject to internal and external credit checks. These customers will also be eligible for the Sun Watts rebate of \$4.00 per watt up to a maximum of 10,000 watts (\$40,000). Loans will be subject to program budget limitations. We will fund the residential/small business revolving loan program and the Sun Watts large (over 20 kW) systems at 15% of the monies collected under the REST program each year on a first come first serve basis. Principal and interest earned will contribute to the available loan funds. Available funds in excess of \$500,000 at the end of the year will be moved to the next year's general REST funds.

Projected budget / cash flow for loan program are below.

	Revolving Loan Fund *				
	2007	2008	2009	2010	2011
Annual Funding from REST Collections	\$ 232,046	\$ 238,108	\$ 244,351	\$ 250,782	\$ 257,405
Principal and Interest payments	\$ -	\$ 50,035	\$ 112,165	\$ 239,074	\$ 506,899
Available Loan Funding**	\$ 232,046	\$ 288,143	\$ 356,516	\$ 489,855	\$ 764,304

* Assumes 100% participation in Loan program

** Funds available for loan in excess of \$500,000 at the end of the year would be transferred to the general REST Funds for the following year

III. MISCELLANEOUS ISSUES

Habitat for Humanity Program: SSVEC will continue our partnership with the Habitat for Humanity Program to offer renewable energy options to low-income families in

cooperative service territories. SSVEC will contribute dollars to the Habitat organization for the purchase of photovoltaic and other renewable energy equipment to be installed on Habitat homes and will also assist in finding local renewable energy equipment dealers who are willing to donate products and services. The type and amount of equipment will vary from project to project. Up to two of these projects will be undertaken each year at a cost not to exceed \$15,000.

Federal Grants: SSVEC has been working with a local grant writer to determine which federal agencies offer grants that SSVEC could combine with our REST monies in order to fund programs in our service territory. After reviewing these available grants, SSVEC is confident that we can obtain some of these additional monies. SSVEC anticipates spending approximately \$7,500 to \$10,000 per year on grant writing in the first year. Future years will depend on the grant monies available from the federal government. Our plan is to wait until the federal grant money available is released each year. We will then study the grant requirements and apply only for those grants which we are qualified for and believe that we have a reasonable chance to secure. This will be expensed under "administration" in the REST program. SSVEC will not exceed the 5% allowed under this category. A listing of the available grants that SSVEC is eligible for has been provided separately to Commission Staff for its review.

IV. ADMINISTRATION OF THE SUN WATTS PROGRAM

Annual Reporting

On October 1, 2008, SSVEC will file a report that describes results under the approved REST Plan. Assuming the Commission's approval of SSVEC's REST Plan, compliance reports will be filed in relation to this REST Plan and subsequent plans beginning October 1, 2009, and every April 1st thereafter. Beginning December 1, 2008,

and every December 1st thereafter, SSVEC will file an updated REST Plan as required pursuant to R14-2-1814.

Advertising, Promotion and Education

SSVEC will develop and execute a plan for advertising and promoting the various Sun Watts programs available to residential and business customers, including the rebate program and the green power purchase program. SSVEC will develop and place this advertising as well as evaluate its effectiveness. Advertising will include a variety of mediums including, but not limited to: bill inserts and ads/stories in monthly newsletters; counter cards and posters; paid ads in local newspapers and rural radio stations; participation at local events, such as cooperative annual meetings and county fairs; and presence on the SSVEC website. SSVEC will also spend a portion of its current advertising budget (from operating funds not REST funds) to further build awareness of the Sun Watts program. These will be monies above and beyond the 5% allowed under the current plan and will be funded by SSVEC and not Sun Watts/REST monies.

SSVEC is also exploring the possibility of the joint marketing of renewable programs with APS, Tucson Electric Power ("TEP"), the other cooperatives in the state and the Salt River Project ("SRP"). Initially, this group is planning to conduct a statewide consumer survey.

In a separate project, SSVEC has joined with the other Arizona cooperatives (including Navopache Electric Cooperative), APS, SRP, TEP in the Arizona Utility Renewable Energy Education ("AZURE") project. AZURE is jointly developing renewable energy education materials for teachers and educators across Arizona. The group's website is already up and running—www.azureeducation.com—and the group is working with the National Renewable Energy Laboratory ("NREL") to bring the NREL

wagon, an interactive vehicle that shows renewable energy at work, on a tour of Arizona schools sometime in 2007.

Finally, SSVEC is offering teachers in their service territories education grants for the development of renewable projects for the classroom. SSVEC plans to grant ten teachers in our service territory school district \$500.00 annually for this purpose, up to a maximum of \$5,000.00.

In order to ensure that their members receive maximum value from the Sun Watts programs, SSVEC will not use more than 15% of total surcharge funds for administrative, research and development and advertising expenses. At the end of each year, unused funds, if any, will be carried over to fund activities and programs in the following year.

V. ESTIMATED RESULTS/BUDGET/TARIFFS

In 2005, SSVEC collected \$314,723.32 under the EPS program, paid out rebates totaling \$145,364.78 for 238 projects with a total rated output of 37 kW, and had a total administrative/research and development/advertising costs of \$46,423.65 (15% of total monies collected).

Through the first three quarters of 2006, SSVEC collected \$252,558.91 under the EPS program, paid out rebates totaling \$38,200.00 for 34 projects with a total rated output of 10.6 kW, and had a total administrative/research and development/advertising costs of \$7,607.79 (3% of total monies collected).

As of June 1, 2007, SSVEC has a positive balance of \$1,100,000 in the EPS Fund that has been collected but not spent. This balance will be transferred to the REST Fund. We believe that based on the REST Plan submitted and the changes that we have made, this positive balance currently in the Fund will be expended within one year as we have several

residential and business member-owners awaiting approval of the REST Plan to begin their projects.

Anticipated REST Surcharge and Proposed Cooperative Budget

	Budget Limits	2007	2008	2009	2010	2011
Estimated REST Funds Collected		\$ 1,546,976	\$ 1,587,385	\$ 1,629,006	\$ 1,671,877	\$ 1,716,033
Loan Fund *	20%	\$ 309,395	\$ 317,477	\$ 325,801	\$ 334,375	\$ 343,207
R&D**	3%	\$ 46,409	\$ 47,622	\$ 48,870	\$ 50,156	\$ 51,481
Advertising	2%	\$ 30,940	\$ 31,748	\$ 32,580	\$ 33,438	\$ 34,321
Administration	1.5%	\$ 23,205	\$ 23,811	\$ 24,435	\$ 25,078	\$ 25,740
Habitat for Humanity projects		\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
CREB Bond Repayment		\$ 765,333	\$ 765,333	\$ 765,333	\$ 765,333	\$ 765,333
SunWatts Rebates		\$ 356,894	\$ 386,395	\$ 416,986	\$ 448,497	\$ 480,951

* Revolving Loan Fund Budget is found in Section 5

** includes Grant writing and Education Grants

Renewable Capacity Projections

Our changes to the renewable energy program are expected to “jumpstart” the interest of our members. With the recent announcements regarding the expansion of the solar suppliers, there will be a corresponding reduction in prices at the same time we have announced the loan program that will expand the number of participants in the program. This has the potential to create a short term increase in installation while available funds from prior years are spent. At the same time, we are hopeful that some of the alternative projects with turning solid waste into power and methane production from dairy operations will come into use in the 2009 to 2011 timeframe.

Renewable Resource projections

	2007	2008	2009	2010	2011
Prior Projects	330	616	1723	1972	2238
Residential	130	140	150	160	170
Commercial	87	93	90	96	103
Schools	69	874	0	0	0
Other			10	10	10
Total Capacity (in kW)	616	1,723	1,972	2,238	2,522

Production Estimates

kWh produced (average)	1,330,607	3,721,472	4,259,784	4,834,441	5,446,534
SSVEC System Dmd Savings*	\$ 98,317	\$ 274,975	\$ 314,751	\$ 357,211	\$ 402,438

*Assumes 70% co-incident demand with system peak

Budget Summary

Rebates Paid	\$ 434,043	\$ 465,764	\$ 498,437	\$ 532,090	\$ 566,753
CREBs payments	\$ 765,333	\$ 765,333	\$ 765,333	\$ 765,333	\$ 765,333
Loans	\$ 232,046	\$ 238,108	\$ 244,351	\$ 250,782	\$ 257,406
Program Expenses	\$ 115,553	\$ 118,180	\$ 120,885	\$ 123,672	\$ 126,542
REST Surcharge	\$ 1,546,976	\$ 1,587,385	\$ 1,629,006	\$ 1,671,877	\$ 1,716,033

Note: Projects estimated for 2007 will most likely be installed in 2008 and 2009 after the changes are made to the program with other technologies and the loan program.

Excess Funds

In the event that there are REST funds available at the end of the calendar year, any unused balance will be rolled over to the following year and considered as Funds Collected for Budget Purposes (to increase the funding in R&D, Advertising, revolving loan Fund, etc.).

Tariff

SSVEC has attached two REST Tariffs for the Commission's consideration and approval of either REST Tariff A or REST Tariff B. REST Tariff A is our preferred REST Tariff as we believe that it recognizes the uniqueness of electrical cooperatives and contains an adjustor mechanism to ensure that SSVEC does not significantly over collect REST monies from our members. REST Tariff B simply does not contain the adjustor mechanism.

The REST Tariff surcharge is \$.005 per kWh with the following maximums:

- \$1.30 for residential

- \$42.00 for commercial and industrial
- \$150.00 for industrial (over 3 megawatts)

The methodology used by SSVEC to project the REST revenues was based on the following:

- 2006 was used as the test year. SSVEC looked at the monthly billing data for each member and calculated what SSVEC collected under the current EPS surcharge and various scenarios to collect the monies needed to fund the proposed REST Plan.
- Estimated monies to be collected were based on estimates needed for SSVEC to meet the REST renewable energy goals that have been established.
- All rate classes treated fairly and equitably.
- Collection of sufficient revenues for repayment of the CREBS loan.

It is intended that the REST Tariff that the Commission approves shall supersede the existing EPS surcharge and SSVEC will no longer charge customers the current EPS surcharge. Additionally, all monies collected under EPS surcharge for the current EPS program will be transferred to the REST program.

REST TARIFF A

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
P.O. Box 820
Willcox, Arizona 85644

SCHEDULE REST Renewable Energy Surcharge Tariff

Effective: For electrical usage beginning in the first month following approval of this tariff and billed beginning with the first billing cycle thereafter.

Applicability

The Renewable Energy Surcharge Tariff is applicable to all customers located along existing electric distribution lines of the Cooperative, who use the Cooperative's standard service for single- or three-phase service. Surcharges under this schedule will be in accordance with the Cooperative's general rules, terms and conditions, available at the Cooperative's office, which general rules or subsequent revisions thereof are a part of the schedule as if fully written herein.

Rate

\$0.005 per kWh subject to the following maximum per month:

Residential Consumers	\$1.30
Commercial & Industrial	\$42.00
Industrial (Demand over 3MWs)	\$150.00

Annual Adjustments

In the event there is an over collection within a calendar year based upon the level of participation and expenditures and other sources of revenue, the following adjustments based on the December 31st available REST fund balance will be made to customer bills issued on or after February 1st of each year:

Balance in excess of \$2,000,000 reduce the maximum by 25%

Balance in excess of \$2,500,000 reduce the maximum by 50%

Balance in excess of \$3,000,000 reduce the maximum by 75%

REST TARIFF B

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

P.O. Box 820
Willcox, Arizona 85644

SCHEDULE REST Renewable Energy Surcharge Tariff

Effective: For electrical usage beginning in the first month following approval of this tariff and billed beginning with the first billing cycle thereafter.

Applicability

The Renewable Energy Surcharge Tariff is applicable to all customers located along existing electric distribution lines of the Cooperative, who use the Cooperative's standard service for single- or three-phase service. Surcharges under this schedule will be in accordance with the Cooperative's general rules, terms and conditions, available at the Cooperative's office, which general rules or subsequent revisions thereof are a part of the schedule as if fully written herein.

Rate

\$0.005 per kWh subject to the following maximum per month:

Residential Consumers	\$1.30
Commercial & Industrial	\$42.00
Industrial (Demand over 3MWs)	\$150.00